

Reducing property taxes is possible, but not likely

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Turns out there may be an upside to the prolonged downturn in home prices.

With home prices down 25 percent in New Jersey from peak levels in 2006, some homeowners may be entitled to a reduction in property taxes come 2009.

The reason: Homeowners who bought during the height of the real estate boom or who live in towns that conducted recent revaluations, may be paying more property taxes than their homes are worth.

Figuring out if your home assessment is fair, and if you are a good candidate for a tax appeal in 2009 will require a bit of legwork, and you should start the process knowing most appeals are denied.

But at a time when cash-strapped consumers worry about the economy and holding jobs, a little leg work could go a long way.

Already, the average property owner in the Garden State pays about \$6,000 a year in property taxes, twice the national average, according to tax experts. And with New Jersey already facing a projected \$1.2 billion budget shortfall, the prospect of property owners getting any kind of meaningful property tax reform is slim.

One of the few ways to reduce your property taxes, then?

"Catch any mistakes and correct any errors in your annual tax assessment,."

The unraveling of the housing market has caused a decline in home prices over the past three years," said Jeffrey Otteau, president of Otteau Valuation Group, a real estate research firm based in East Brunswick, which tracks the New Jersey real estate market. "As a result, many New Jersey homeowners may have an opportunity to lower their property tax bills by filing a tax appeal to challenge their tax assessment."

APPEALS RISE

The New Jersey State Division of Taxation said the number of tax appeals have nearly doubled in New Jersey, to 28,825 in 2008, from 13,883 in 2005. And county tax assessors and tax experts are forecasting an even larger number of tax appeals next year if the slumping housing market doesn't improve.

"We had 4,200 appeals, last year, which was up from the prior year and I'm bracing for even more this year," said Lawrence Vituscka, the tax administrator at the Ocean County Board of Taxation. "Every day people are seeing home sale prices falling in their areas and foreclosures, so they feel over assessed. The economy is bad.

"We're seeing more layoffs and people are starting to look at every dollar very closely."

In Ocean County, the number of tax appeals jumped to 2,346 in 2007, from 534 in 2005.

Vituscka said on average 35 percent to 50 percent of tax appeals are successful in his county.

Monmouth County Tax Administrator Matthew Clark said he, too, expects a lot more homeowners to file tax appeals in 2009.

"Based on the volume of people asking for appeal forms and my general understanding of where the housing market is going, I expect a significant increase in tax appeals," Clark said.

In Monmouth County, the tax appeals jumped to 1,862 in 2008, from 744 in 2005.

WHAT TO DO

If you think your home assessment is not fair, you have until April 1 to file your appeal.

But first things first.

To find out if they're a good candidate for a tax appeal, property owners should first have a cursory understanding of how property is assessed in New Jersey and how the appeal process works, said Timothy Duggan, a tax attorney with Stark & Stark in Lawrenceville.

Every year, in either late January or early February, tax assessors are required to mail to each property owner in New Jersey, an annual tax assessment notice. It's typically printed on a small green card and it simply states your home's assessed value for both the land and any improvements.

The number on the green card is calculated as of October 1 of the pre-tax year. So, for example, the tax assessment date for 2009 is October 1, 2008.

That number, however, is virtually meaningless unless you know what your town's "average tax ratio," currently is -- and that ratio is not printed on the green card you get in February, Duggan said.

Every year, the state Division of Taxation, along with local tax assessors, compute these ratios by analyzing sales of comparable properties over the prior 24 months. The list of average ratios is published every year -- sometime in January -- on the [division's](#) website. Most townships also publish their tax ratios on their own websites.

DO THE MATH

To determine the true market value of your home -- and determine whether your property is over or under assessed -- you have to do a little math.

Thankfully, it's not too complicated.

Get a calculator and divide your home's assessed value by your town's average ratio.

But don't stop there.

Every township also gives itself a "safety cushion" -- which is equal to plus and minus 15 percent of the average ratio. This huge 30 percent swing is the township's allowed margin of error.

For example, the average tax ratio for Millburn in 2009 is 90.54 percent. On the low end, the town's ratio is 76.96 percent and on the high end its 104.12 percent. All these ratios are important to figuring out if your home is assessed fairly.

So, if a home in Millburn is assessed at \$600,000, the property owner must divide his or her home's assessment by the average ratio -- 90.54 percent -- to determine the "true value" of the property -- or rather, what the town thinks the property is really worth, Duggan explained. In this example, the true value comes out to \$662,690.

Property owners should then repeat this same exercise, using the town's lower ratio and the highest ratio, so they can see the ranges they are dealing with.

In this same example, dividing their home's assessed value -- \$600,000 -- by 76.96 percent gives you \$779,625 and dividing it by 104.12 gives you \$576, 258.

What does this all mean?

If every home on your block has been selling for less than \$576,258 and your assessed value is \$600,000, you are a good candidate for a tax appeal. If you win, the township is required to reduce your assessment.

Similarly, if all the homes on your block are selling for more than \$779,625, you might want to lay low. Your home is probably under-assessed. And if you fall in between those ranges? Drop it. You're going to lose your tax appeal.

"Everyone has to take their assessed value is and divide that number by their town's ratios and that will give them what the town thinks their home is worth," Duggan said. "Most people don't understand that."

Duggan said there are a number of towns in New Jersey that recently conducted revaluations in 2006 and 2007, whose average ratios are now more than 100 percent, thanks to the decline in real estate values during this time -- a red flag homeowners in those locales may very well be over-assessed, he said.

None of this, of course, is a slam-dunk situation for taxpayers, tax experts warn.

Most taxpayers who file tax appeals seeking relief, lose.

"A lot of people don't present a good case," explained Vituscka, the Ocean County Tax Administrator.

BURDEN OF PROOF

Because the burden of proof falls on taxpayers, homeowners must furnish evidence their assessments exceed their town's average ratio by 15 percent, experts said.

The most credible evidence they can supply is recent comparable sales of other properties -- between 3 and 5 -- of a similar type in your neighborhood. One big stumbling block in this sluggish housing market, however, is the shortage of recent sales data.

"It is very difficult to prove the value of real estate in New Jersey right now, because in this market, you may not be able to find a lot of comparable home sales," he said.

Another strike against homeowners: estate sales, foreclosures, short sale are not considered "arm's length transactions," in New Jersey and therefore you are not allowed to present those types of transactions as comparable sales data during your appeal.

"Make sure you present only valid sales -- properties on the open market that have been sold in a competitive fashion and not under duress," Vitsucka said. "Foreclosures are considered under duress."

Still, Duggan says in these unprecedented times, with home foreclosures and home price declines in record territory, it certainly wouldn't hurt to include foreclosures along with your regular comparable sales data to really drive your point home, he said.

Typically filing a tax appeal application doesn't cost a lot of money -- between \$5 and \$150 depending upon the value of your property. But if you win, you could save a bundle, Duggan said.

"We are anticipating a lot of appeals this coming year," he said. "I don't know how many will be successful,

but I think in 2009, more people will be winning."

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